

MONTHLY REVIEW

Agricultural and Business Conditions

LIBRARY
JAN 18 1946
FEDERAL RESERVE DISTRICT

VOL. 30, No. 12

FEDERAL RESERVE BANK OF KANSAS CITY

DECEMBER 31, 1945

SURPLUS PROPERTY DISPOSAL

The property which remains as surplus from World War II is of vital concern to business and industry and of direct interest to every citizen, for this property was bought with funds provided through tax payments and bond purchases, and every segment of the national economy will be affected by its disposal. The disposal policies and methods adopted may be such that the facilities and materials will be absorbed in an orderly fashion by the economy, or they may be such that reconversion from war to peace will be retarded or even increased in difficulty and cost. But regardless of the policies which may be adopted, the war surpluses will in all likelihood have an important influence in the business system for many years to come.

No definite estimate can be made as yet of the aggregate volume and value of property which may become surplus. Estimates in terms of original cost run as high as 100 billion dollars, and it is known that the surpluses will consist of a wide variety of facilities, materials, and land scattered throughout the world. They will comprise military installations, ships, manufacturing plants, real estate, housing facilities, airplanes, ordnance equipment and material, automobiles and trucks, machine tools, construction equipment and materials, foods, clothing and textiles, raw and semi-processed materials, and a large volume and variety of other types of equipment, products, and supplies. Some of these have few or no peacetime utilization possibilities, but many are products of everyday consumption or productive use, and some are items which have been denied the civilian economy and in which acute shortages now exist.

At the close of hostilities the nation was probably less prepared for the disposal of surplus property than for any other single phase of reconversion. Various Government agencies began disposing of small amounts of surplus as early as 1943, but no formal action was taken for planning and organizing surplus disposal until February 19, 1944, when the Surplus Property Administration was established in the Office of War Mobilization. More than fifty bills on the subject were introduced in Congress in the next six

months, but it was not until late fall that the Surplus Property Act was passed. This legislation was not considered satisfactory, and its enactment did not result in the necessary planning or in the establishment of an effective organization. The Surplus Property Board established by the Act was unable to function successfully, and within a period of nine months it was necessary to appoint three different chairmen of the Board, the first two having resigned because of dissatisfaction with the legislation and inability to effect the necessary administrative action. In spite of these difficulties, only one amendment was made, that of providing a single administrator in the place of the board of three members, and this was not enacted until September, 1945. Thus, when the war ended, both the organization and the necessary planning for surplus property disposal were largely in the embryonic stages; and, of even more consequence, disposal was subject to legislation which represented a compromise of cross purposes and contradictory objectives, and which had been repeatedly claimed to be impossible of effective administration.

The World War I surplus property disposal experience provided no clear pattern for policies respecting the disposal of the present surpluses because the problems of the two periods differ both in degree and in kind. After World War I there was almost no Government ownership of plants, but now the Federal Government is the largest industrial owner in the nation, with holdings approximating 16 billion dollars in manufacturing plants and facilities, and it is the predominant interest holder in several industries, including synthetic rubber, aircraft, magnesium, and aluminum. The total cost value of the first war surpluses did not exceed seven billion dollars, considerably less than 10 per cent of the anticipated World War II surplus, but the disposal of even this comparatively small amount raised a number of problems and produced some unfortunate results. A four-year period was required to dispose of 3.8 billion dollars worth of surplus property and approximately ten years for the disposal of the one-half billion dollar interest in artillery plants.

A long-drawn-out depression in the machine tool industry was claimed to have been aggravated by the policies governing the disposal of these tools. Sales of surplus were not regulated to the market's ability to absorb different commodities and products; products were withheld in 1919-20 when demand was heavy and prices high, but dumped on the declining market which followed thus contributing to a further depression of the market. Furthermore, some sales of facilities were believed to have fostered the concentration of economic power, much waste occurred, and the exorbitant profits made by speculators in surplus property resulted in a number of scandals. Although these earlier experiences provided no positive guides for disposal, they indicated the necessity of attempting to avoid certain undesirable features and results. Congress and the executive departments have not been unaware of the shortcomings of the first large surplus disposal attempt and of the difficulties of the present problem. In fact, realization of the complexities probably accounts for the slow progress made in enacting satisfactory legislation and in establishing an effective organization to provide for surplus disposal.

In making legislative provision for the disposal of the World War II surpluses, Congress had the choice of two approaches to the problem: (1) to treat it as a problem of liquidation with the object of recovering the maximum monetary return in the shortest possible time, or (2) to treat it as a national problem in economic planning with the object of regulating disposal so that certain national economic and social goals might be achieved. The latter point of view predominated and in the Surplus Property Act of 1944 provision was made for a disposal program which placed emphasis upon certain social and economic objectives. The prohibitions and limitations specified, as well as the preferences established, were intended to avoid a repetition of the World War I experiences and to accomplish worthy objectives, but they create numerous, and in some cases insurmountable, administrative problems.

The Disposal Organization The organization for the disposal of surplus property has undergone a number of changes in recent months. In general, these changes have tended toward simplification of the organization and more centralization of disposal responsibility, but further revisions will no doubt be found necessary as the disposal program develops. Foremost of the recent organization changes were the supplanting of the Surplus Property Board by a single administrator, the centralization of surplus disposal abroad in the Department of State, and the assignment of responsibility for the disposal of

consumer goods to the Reconstruction Finance Corporation. The most recent change announced, effective January 1, 1946, is the formation of the War Assets Corporation. This is a subsidiary of the Reconstruction Finance Corporation and will assume the duties and functions now performed by the Office of Surplus Property of that corporation.

The flow of property through the surplus organization now in effect is shown in the accompanying chart. Government property is the responsibility of the owning agency, such as the Army or Navy, and becomes surplus upon declaration by the owning agency. The Surplus Property Administrator is responsible for the development of policies respecting property which is declared surplus, but the Administrator does not hold or sell property. The actual disposal functions are performed by other governmental units designated as disposal agencies for the various classes of properties. When property is declared surplus by an owning agency, control passes to the designated agency which holds the property or makes disposal in accordance with the policies contained in the Surplus Property Act and the regulations of the Surplus Property Administrator. Seven disposal agencies are designated at present. The Reconstruction Finance Corporation is the disposal agency for several classes of property and for the bulk of the surplus volume that will be sold in this country. The Department of State, as the disposal agency for all surplus property held abroad,¹ will have goods of an even greater diversity but of lower dollar value than those handled by the Reconstruction Finance Corporation. The disposal of these foreign surpluses is of extreme importance, however, for the methods adopted can vitally affect the future of our foreign trade and our international political relations. The other agencies are assigned property for disposal which is identical with or similar to other Government property under their jurisdiction and for the care and disposal of which they have an established organization.

It should be noted, however, that owning agencies, particularly the Army, Navy, and Maritime Commission, dispose of or supervise the disposal of three other kinds of surpluses. Contractor termination inventories may be sold by the contractor for 60 days after filing surplus inventory lists, subject in most cases to the approval of the contracting officer of the owning agency. These inventories may not necessarily be sold in the manner of other surplus property since the contractor has considerable latitude in sales methods,

¹ The delegation by the Department of State of its authority as disposal agent for surplus property located in the Union of South Africa to an agency of that government was approved in SPB Rev. Reg. 8, Order 4, issued Nov. 27, 1945. The property involved is valued at about 10 million dollars and all sales are subject to the approval of a representative of the United States Government.

pricing, and extension of credit, and he makes such sales without regard to the preferences and protections provided in the Surplus Property Act. Army scrap and salvage disposition is handled by the salvage officers at the place where the surplus is located, and Navy disposition is conducted in a similar manner by the regional offices of the Navy Material Redistribution and Disposal Administration. Disposal of minimum quantities of surplus (those of less than \$100 in value) is made by the owning agencies in a manner similar to that described for the disposal of scrap and salvage. Thus, a considerable amount of property which the public thinks of as surplus, and which, in fact, may be advertised as such, may not be sold in accordance with the regulations and procedures governing the sale of similar property by the other disposal agencies.

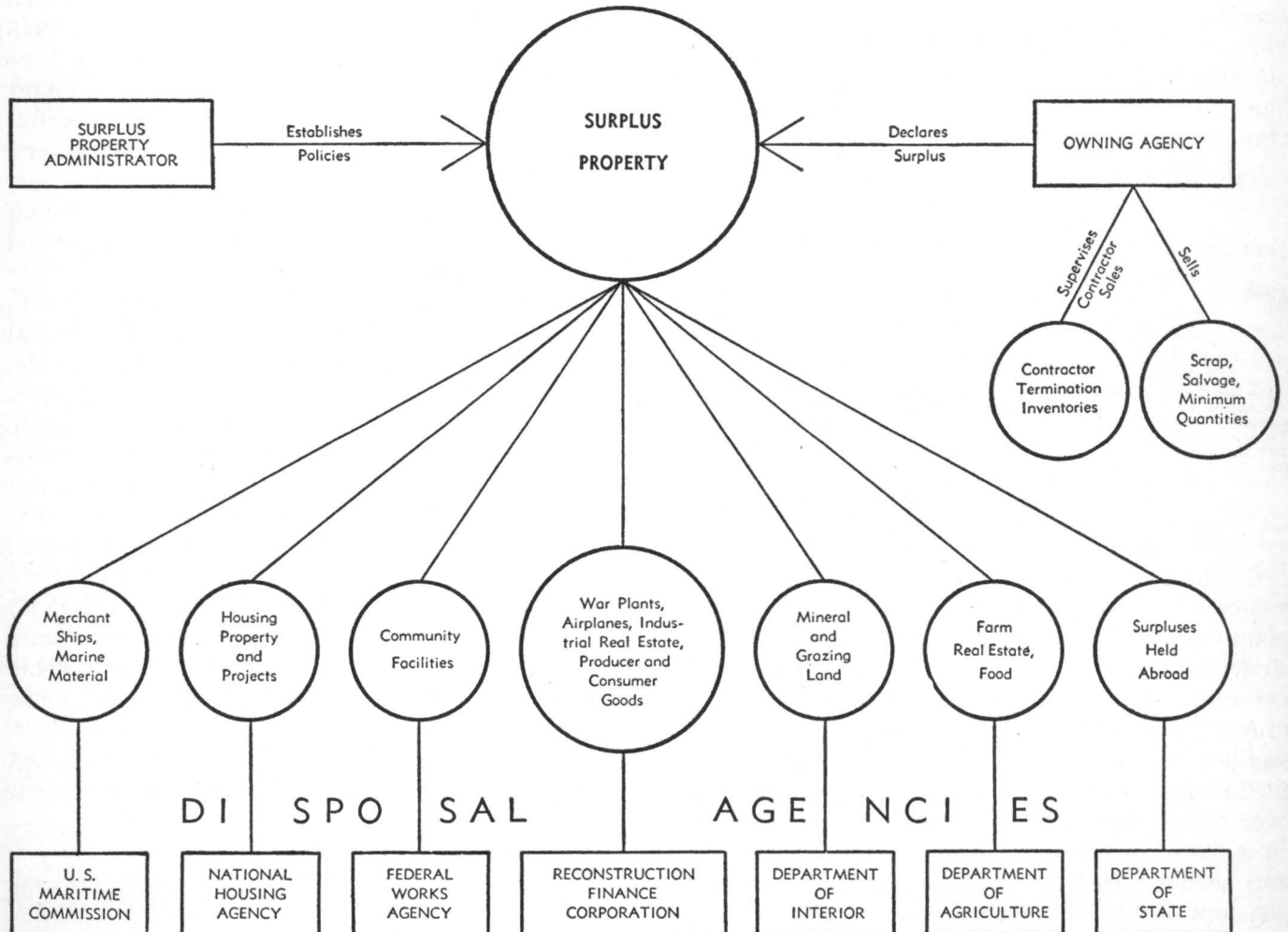
A casual examination of the organization chart might lead the reader to conclude that a clearly-defined disposal organization and plan are in effect, but

in practice a number of organization difficulties and problems exist. The Administrator does not have the authority to compel an owning agency to declare property as surplus, and unless these agencies realize the economic necessity of releasing needed goods at an early date, there is danger that the unfortunate experiences of World War I may be repeated. Neither is it clear that the Administrator has the authority to compel a disposal agency to dispose of goods once they have been declared surplus. He can, of course, counsel with the various agencies and use such persuasive influence as he may have, but if the desired actions or procedures do not meet with the approval of the disposal agency officials, it may be questionable whether the Administrator can get the differences readily resolved in favor of surplus disposal objectives.

Certain advantages exist in the present disposal plan and organization, such as the utilization of the existing field offices of the various disposal and owning agencies. This procedure precludes the duplication

SURPLUS PROPERTY DISPOSAL

(As of December 15, 1945)



of facilities and personnel, and makes possible the use of a staff experienced in the care and disposal of specialized classes of property. The decentralization of disposal functions among a number of agencies, however, makes the problem of securing action on disposal difficult and results in lack of uniform disposal methods and procedures. Not only has the public been confused with respect to disposal methods, but disposal is reported to have been unduly delayed in some instances. Centralized authority and responsibility would do much to overcome the existing difficulties.

Disposal Progress Surplus disposal progressed slowly through the greater part of 1945. Declarations were at comparatively low levels up to V-J Day because of uncertainty concerning the duration of the war and its requirements, and disposals were retarded by the delay in setting up an organization and in establishing policies and procedures which would expedite disposal. After the close of hostilities, declarations were greatly accelerated and inventories held by the disposal agencies increased rapidly. The disposal rate increased appreciably in October and November, however, and the disposal volume for the fourth quarter will be much higher than in any previous three-month period. The following summary statement of acquisitions, disposals, and inventories shows the progress made in the period July, 1944, through November, 1945.

SURPLUS ACQUISITIONS, DISPOSALS, AND INVENTORIES^a

(In millions of dollars)

	Acquisitions	Disposals	Inventories ^b
1944—Third quarter.....	378	69	476
Fourth quarter.....	662	79	1,058
1945—First quarter.....	454	97	1,339
Second quarter.....	896	150	2,070
Third quarter.....	2,305	164	4,208
October ^c	3,473	118	7,538
November ^c	2,483	764 ^d	9,167

^a All data are stated in terms of original cost. The 1944 data are from the second and third Quarterly Reports of the Surplus Property Board to Congress; those for the first three quarters of 1945 from the Surplus Property Administration "Monthly Progress Report for September 1945"; and those for October and November, 1945, from a press release issued Dec. 10, 1945, by the Surplus Property Administration.

^b Available for disposal at end of the period.

^c Preliminary.

^d Of this amount, almost 587 million represented the scrapping of non-salable aircraft and 7 million other miscellaneous disposals. Actual sales amounted to approximately 171 million at cost for the month.

Of the total cumulative acquisitions through November, 1945, aircraft constituted 59.9 per cent, war plants and industrial real estate 18.2 per cent, consumer goods 9.1 per cent, and all other classes 12.8 per cent. Approximately 15 per cent of all surplus property acquired had been disposed of, and disposal had been made of almost nine tenths of the housing facilities, over two fifths of the consumer goods, and over three eighths of the mineral and grazing land. In terms of original cost, a recovery of 31.7 per cent had been realized on all disposals. In the last two quarters of 1944 the recovery ratios were 76.8 and

62.0, respectively, but the level declined to 48.4, 34.0, and 35.4 in the three quarterly periods of 1945. For the month of October the ratio was 43.2 and preliminary data indicate that the ratio for November was 9.3.²

Disposals cannot be expected to increase in direct ratio to acquisitions, but it will be noted that because of the lag in disposals, the surplus inventory has been increasing at a highly disproportionate rate since acquisitions were accelerated. This lag in disposals can be explained partially by the tendency of owning agencies to declare early as surplus that property which is obsolete or not usable and to retain that which might be utilized. For example, a large part of the inventory is composed of unsalable aircraft and of other combat equipment and supplies which have no market. Moreover, a number of the war plants were declared surplus soon after V-J Day, and these constitute, and will probably continue to constitute, a large inventory value since the resolving of the economic and legal problems incident to their disposal will require considerable time.

The Surplus Property Administrator has estimated that 27 billion dollars worth of property will have been declared surplus by the end of the calendar year 1945 and that declarations for the fiscal year ending June 30, 1946, will reach 32 billion; of the latter amount approximately 75 per cent is estimated to be in capital and producers' goods and 10 per cent in consumers' goods. Since acquisitions are being made in billions, and at an increasing rate, while disposals are being made in millions, surplus inventories can be expected to accumulate rapidly.

It is comparatively easy to criticize the failure to make proper provision for surplus property disposal at an early date and to criticize the progress made. The uncertainties of war, the wide diversity of interests, and the complexity of the disposal task made some delay inevitable. All the failures and shortcomings cannot be charged to any one governmental unit or individual, and criticism, unless it is of a constructive nature, will do little to better the situation. Whatever action is taken, whether it be immediate liquidation or deferral of disposal, will not satisfy all interests, and may be shown by subsequent events to have been ill-advised. But, the problem of surplus disposal has now reached the crucial stage and there is urgent need that necessary amendments be made in the law, and that policies and procedures be developed which will meet the tests of practical business operations.

² The low return in November resulted from the scrapping of aircraft valued at almost 587 million dollars. If this amount is excluded from the November disposals, a recovery of 41.3 per cent was realized on the actual sales.

BUSINESS AND AGRICULTURAL CONDITIONS

FINANCE

Member Bank Credit Earning assets of the Tenth District weekly reporting banks increased 185 million dollars during the four-week period ended December 12, as loans and investments expanded 73 million and 112 million dollars, respectively. On December 12, total loans of the reporting banks were 450 million dollars, the highest volume since April 15, 1942. The largest factor of increase in recent weeks has been the loans on Government securities which have expanded during the course of the Victory Loan Drive from 24 million to 70 million dollars, an increase of about 190 per cent. However, "commercial, industrial, and agricultural" loans expanded 19 million dollars during the period under review and on December 12 were at their highest point since April 29, 1942.

During the four-week period under review, certificates of indebtedness showed the greatest increase of any class of Government securities as they expanded 47 million dollars, an expansion resulting largely from an exchange by the Treasury of certificates of indebtedness for notes and bonds on December 1. Treasury bill holdings increased 42 million dollars as banks in-

vested excess reserves resulting from a shift of private deposits to reserve-free war loan accounts during the Victory Loan Drive. By December 12, Treasury bill holdings had reached the highest point for any reporting Wednesday of the year, although they were only about one half of their all-time peak. Treasury bond holdings expanded 30 million dollars, while Treasury notes declined slightly as a result of the exchange of Treasury notes for certificates of indebtedness by the Treasury on December 1.

The movements in deposit volume were in conformity with the usual developments of a war loan drive, as private demand deposits decreased 88 million dollars and Government deposits increased 280 million dollars. Time deposits remained essentially unchanged during the four-week period under review, although they declined slightly during each of the last three weeks. November 24, December 5, and December 12 are the only reporting Wednesdays in 1945 when time deposits of the District reporting banks have not shown an increase. Subscriptions during the Victory Loan Drive probably are the chief explanation for this reversal, although the liquidation of savings accounts for Christmas purchasing probably was a factor also.

Principal items of condition of 50 member banks:

	BANK DEBITS		Change from '44	
	Nov. 1945	11 Mos. 1945	Nov.	11 Mos.
	(Thousand dollars)		(Per cent)	
Colo. Springs, Colo....	34,141	274,935	+22	+9
Denver, Colo.....	364,275	3,443,434	+16	+11
Gr. Junction, Colo....	10,698	82,514	+33	+11
Greeley, Colo.....	14,214	119,218	+25	+19
Pueblo, Colo.....	30,706	258,162	+10	+12
Atchison, Kans.....	6,618	73,333	+9	+7
Emporia, Kans.....	7,854	75,113	+9	0
Hutchinson, Kans....	29,009	321,129	+10	+12
Independence, Kans..	4,734	48,895	+7	+3
Kansas City, Kans....	41,247	437,945	+2	0
Lawrence, Kans.....	7,514	89,825	-14	+17
Parsons, Kans.*.....	5,793	64,016	-10	-1
Pittsburg, Kans.....	7,823	74,642	+14	+3
Salina, Kans.....	22,677	254,896	+8	+1
Topeka, Kans.....	55,367	653,464	+5	+7
Wichita, Kans.....	132,613	2,207,758	-42	+2
Joplin, Mo.....	21,262	196,696	+14	+7
Kansas City, Mo.....	660,836	7,595,391	+2	+6
St. Joseph, Mo.....	62,572	637,008	+8	+1
Fremont, Nebr.....	7,754	78,674	+6	+8
Grand Island, Nebr..	14,775	156,006	+16	+9
Lincoln, Nebr.....	53,434	562,322	+14	+6
Omaha, Nebr.....	340,855	3,804,849	+13	+6
Albuquerque, N. M....	43,859	430,237	+30	+28
Bartlesville, Okla....	46,147	494,725	-2	+7
Enid, Okla.....	21,816	300,630	+3	+21
Guthrie, Okla.....	3,424	31,131	+20	+11
Muskogee, Okla.....	20,036	178,590	+10	+3
Okla. City, Okla.....	207,782	2,128,304	+4	+8
Oklmulgee, Okla.....	5,058	46,753	+33	+22
Tulsa, Okla.....	252,295	3,021,113	-6	+11
Casper, Wyo.....	15,072	131,505	+26	+16
Cheyenne, Wyo.....	19,049	203,646	+7	+2
District, 33 cities....	2,571,309	28,476,859	+2	+7
U. S., 334 cities.....	79,401,000	872,605,000	+2	+9

*Revised figure for October, 1945, 5,306; 10 months, 1945, 58,223.

	Change from		
	Dec. 12 1945	Nov. 14 1945	Dec. 12 1944
	(In thousands of dollars)		
Loans and investments—total.....	2,484,269	+184,833	+495,066
Loans—total.....	449,610	+72,584	+82,875
Coml., indust., agric.....	251,482	+18,709	+23,491
To security brokers and dealers.....	7,465	+2,095	+2,098
Other to purchase or carry secur.....	79,158	+46,053	+44,782
Real estate loans.....	39,084	+469	+2,124
Loans to banks.....	893	+68	+478
All other loans.....	71,528	+5,190	+9,902
Investments—total.....	2,034,659	+112,249	+412,191
U. S. Govt. securities—total.....	1,898,042	+111,696	+400,345
Bills.....	117,522	+41,881	+7,022
Certificates of indebtedness.....	483,206	+47,368	+144,605
Notes.....	454,695	-7,558	+81,884
Bonds.....	841,811	+30,065	+202,668
Guaranteed obligations.....	808	-60	-35,834
Other securities.....	136,617	+553	+11,846
Reserves with F. R. Bank.....	472,255	-14,173	+50,701
Balances "due from" banks—net.....	322,117	+17,598	+17,110
Demand deposits—adjusted.....	1,387,967	-88,142	+131,180
Time deposits.....	284,827	+116	+62,427
U. S. Govt. deposits.....	502,580	+280,301	+207,365
Deposits "due to" banks—net.....	984,110	+2,445	+140,097
Borrowings.....	14,000	-5,000	+9,000

DEPARTMENT STORE TRADE

Dollar volume of department store sales in November was about 9 per cent larger, and in the first eleven months of 1945 about 12 per cent larger, than in the corresponding periods of 1944. In the first two weeks of December, sales showed an increase of 12 per cent over the previous year, pointing to the largest volume

of Christmas shopping on record. According to trade reports, sales generally are limited only by the availability of desirable types of merchandise. Reports also indicate that a larger proportion of total Christmas business may have occurred in December than in recent years, reflecting a shift back toward the usual peacetime concentration of Christmas trade between Thanksgiving and December 25. Sales increased much more than is usual from October to November, and the seasonally adjusted index of daily average sales rose from 241 per cent of the 1935-39 average in October to 265 per cent in November, which was a new high and far above the previous peak of 246 per cent last February.

Department store inventories declined during November, as was the case in each of the three preceding years, reflecting the wartime development of an unusually early start on Christmas buying. The November decrease in 1945, however, was much less than that in 1944, and stocks on hand at the end of the month in 1945 were 5 per cent larger in value than a year earlier. Outstanding orders have increased sharply in the last two months and on November 30 were at a new record level considerably above the previous high established last February. This huge volume of merchandise on order, which was 43 per cent greater than a year earlier and more than one and a half times actual stocks on hand, probably reflected the urgent effort to secure additional merchandise in time for Christmas trade, as well as the cumulation of heavy orders for goods that are expected to become more plentiful early in 1946.

Department store sales and stocks in leading cities:

No. of Stores	SALES		STOCKS	
	Nov. '45	11 Mos. '45	Nov. 30, '45	
	comp. to Nov. '44	comp. to 11 Mos. '44	comp. to Nov. 30, '44	
	(Per cent increase or decrease)			
Denver.....	7	+16	+16	-3
Hutchinson.....	3	+4	+15	*
Topeka.....	3	+3	+14	*
Wichita.....	4	-3	+3	*
Kansas City.....	8	+9	+12	+7
St. Joseph.....	3	+14	+12
Omaha.....	4	+8	+11	*
Oklahoma City.....	6	+7	+12	+13
Tulsa.....	4	+7	+15	*
Other cities.....	33	+9	+11	-3
District.....	75	+9	+12	+5

*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

Meat Packing Hog slaughter, as indicated by packers' purchases at leading District markets, increased sharply during November as is usual, while the slaughter of cattle, calves, and sheep declined seasonally. Cattle and calf slaughter was appreciably below that in the corresponding month last

year, despite increased marketings, while hog slaughter continued somewhat lower and sheep slaughter sharply lower than a year ago. As compared with the very high level of slaughter prevailing in November two years ago, the slaughter of cattle was down about one fourth, that of sheep more than a third, and that of hogs nearly one half.

United States cold storage stocks of pork, which had been declining rather steadily, increased seasonally during November. Pork stocks on December 1, however, aggregated only 233 million pounds as compared with 318 million a year earlier and were the lowest on record for the December 1 date. Chiefly because of the smaller pork stocks, total stocks of meat on December 1 were down to 495 million pounds from 527 million a year ago. Storage stocks of lard also showed a large decrease as they amounted to only 54 million pounds on December 1, 1945, as compared with 91 million pounds on December 1, 1944. Holdings of beef continued large, aggregating 169 million pounds and representing a substantial increase over the 115 million pounds in storage a year ago and average December 1 holdings of 123 million pounds during the past five years.

Flour Milling Southwestern flour milling operations declined from 99 per cent of full-time capacity in October to 92 per cent in November but increased to slightly over 100 per cent of capacity, as measured by a 6-day work week, in the first half of December. This level of activity, which represented a new record high, was due to extension of the work week at some mills to seven days from the usual six, in order to satisfy urgent shipping directions for flour as the box car situation improved sufficiently to allow mills to get out their shipments.

Late in December, however, many mills faced a serious threat of shutdowns because of inability to secure wheat. There is a large amount of wheat on farms and in country elevators, but marketings in recent months have been far short of trade requirements, owing in part to holding by producers, presumably until reduced income tax rates become effective January 1. To relieve the artificial scarcity of wheat in commercial channels, the Commodity Credit Corporation on November 16 had inaugurated an emergency program of wheat sales to mills having less than three weeks' supply of wheat on hand and under contract but was forced to suspend the mill sales program on December 19 because of the rapid disappearance of CCC wheat stocks and the need for retaining sufficient wheat to meet its commitments to the Army and the United Nations Relief and Rehabilitation Administration.

Flour purchases by the Army and export buying continue very heavy. Domestic sales also were in large volume early in December, following a small further increase on December 1 in the domestic milling subsidy to 31½ cents a bushel on hard wheat ground into flour. The December subsidy rate is the highest since the program was inaugurated late in 1943 and probably is the highest possible subsidy under present wheat and flour price ceilings. Mills generally have unfilled order balances about as large as those they had when the subsidy program started. Since mills at the termination of the subsidy will receive payments on unfilled orders on hand only to the extent of the original unfilled order balance, and in view of increasing difficulties in obtaining adequate supplies of wheat and bags, mills are accepting new orders only as wheat is ground out on old contracts. Export demand from Europe has risen to unprecedented proportions, and mills are unable to supply all of the flour requested.

Petroleum National crude oil production attained a daily average rate of 4,447 thousand barrels in November, a decline of 9 per cent from the rate of October and of 6 per cent from that of November, 1944. In the Tenth District the daily average production rate was 851 thousand barrels, 1 per cent above the rate of the previous month and 1 per cent higher than that of the corresponding period of a year ago.

By November, total crude output in the United States had declined 6 per cent from the previous November but that in the District had increased slightly, 1 per cent. Colorado's production of crude oil, which represented only 1 per cent of the yield of the six oil-producing states of the District in November, 1944, had more than doubled by November, 1945, and constituted 2.5 per cent of District output. This gain is the result of the opening of a new field.

Data for gross crude oil production as reported by the Bureau of Mines and the American Petroleum Institute are given below:

	Nov.	11 Mos.	Change from '44	
	1945	1945	Nov.	11 Mos.
	(Thousand barrels)		(Per cent)	
Colorado.....	638	4,186	+159	+57
Kansas.....	7,574	88,557	-8	-2
Nebraska.....	23	281	-28	-27
New Mexico.....	2,826	34,228	-10	-6
Oklahoma.....	11,540	125,898	+6	+11
Wyoming.....	2,912	33,445	+8	+13
Six states.....	25,513	286,595	+1	+5
United States.....	133,409	1,563,200	-6	+2

In the United States, the estimated daily average demand during December for domestic crude oil was somewhat below that of November, about 400 thousand barrels below the peak demands of late summer,

and 200 thousand barrels below actual demand in December, 1944. In the District states, the daily average rate of demand during December was approximately the same as for November and slightly above that of December, 1944.

The petroleum industry is vitally concerned about future demand for oil. West coast producers have lost part of their markets through the substantial reduction of export demand from that region. Before the war, California's output depended largely upon shipments to the Pacific, especially Japan, which market is now eliminated or at least substantially curtailed for an indefinite period. Related to this problem is the determination of the areas which will bear the major part of the decrease in demand expected during the first quarter of 1946. The output of Texas and California accounted for most of the war expansion and has suffered most of the curtailment so far.

One favorable factor in the outlook for 1946, from the point of view of the petroleum industry, is the elimination of alcohol from the production of synthetic rubber. All butadiene produced during the coming year will be from petroleum plants. About 413 thousand tons of butadiene will be needed according to the plan recently announced by the Office of Rubber Reserve.

Refining and marketing operations are being influenced by changing consumer demand. Premium-grade Ethyl gasoline is being consumed at an unexpectedly high rate and accounts for approximately 35 per cent of total motor fuel consumption. In some centers, such consumption constitutes as much as 75 per cent of total requirements. This trend is believed to be a reflection of prosperous conditions, as the use of premium-grade fuel also increased in the late twenties and declined during the depression of the thirties. The decline was accompanied by an increase in sales of third-grade motor fuel. As a result of this change in demand, refineries which have greater capacity for producing high-grade gasoline are in a much stronger competitive position than are others.

Employment By September, the latest month for which complete data are available for the seven states which lie wholly or partially in the Tenth District, the level of employment in the Tenth District showed the effect of the cancellations of war contracts which occurred the latter part of August. The impact was chiefly upon manufacturing employment, as is shown from a comparison of the 22 per cent decline from August in factory workers with the 5 per cent decline in nonagricultural workers for the same period. A similar situation was reflected in the country as a whole, losses in the United States being

13 per cent and 5 per cent, respectively. District manufacturing employment in September was 40 per cent below its wartime peak, whereas total nonagricultural employment was only 13 per cent below its highest point.

The lower rate of reduction in nonagricultural employment shown in the accompanying tables indicates that displaced factory workers were absorbed by other industries to some extent. The status of employment in September was more satisfactory in New Mexico and Wyoming than in the other states as these were the only District states in which total employment was above the level of the year before. Of course, these states were not prominent in war production. Employment in Kansas and Oklahoma, where production was predominantly in aircraft, showed the highest percentage reductions.

Department of Labor employment estimates:

TOTAL NONAGRICULTURAL EMPLOYMENT

	Sept.	Aver.	Change from '44	
	1945	9 Mos. 1945	Sept.	9 Mos.
	(Number)		(Per cent)	
Colorado.....	260,000	259,900	-3	-1
Kansas.....	336,000	384,300	-17	-6
Missouri.....	863,000	930,900	-10	-2
Nebraska.....	245,000	257,000	-6	0
New Mexico.....	82,900	80,800	+4	+3
Oklahoma.....	336,000	367,900	-11	-2
Wyoming.....	64,700	61,800	+4	0
Seven states.....	2,187,600	2,342,600	-9	-2
United States.....	35,334,000	37,403,000	-8	-4

MANUFACTURING EMPLOYMENT

	Sept.	Aver.	Change from '44	
	1945	9 Mos. 1945	Sept.	9 Mos.
	(Number)		(Per cent)	
Colorado.....	41,300	46,400	-13	-5
Kansas.....	62,000	113,400	-54	-19
Missouri.....	255,000	333,600	-26	-5
Nebraska*.....	47,200	60,900	-22	0
New Mexico.....	5,100	5,100	0	+4
Oklahoma.....	44,400	79,000	-48	-9
Wyoming.....	4,200	4,300	-11	+2
Seven states.....	459,200	642,700	-33	-8
United States.....	12,097,000	14,553,000	-24	-11

*Estimates for manufacturing have been revised and are not comparable to current estimates for total nonagricultural employment.

During the first week of December in the Denver area, referrals made by the United States Employment Service exceeded unfilled job openings—the first such occurrence since V-J day—but declined the following week. Placements also showed a slight upturn during the first week, followed by a decline, and continued to be predominantly of men. Weekly initial unemployment compensation claims rose to approximately the level of September; however, applications of men have become proportionately larger. Compensable unemployment claims continued upward with slight variation; the proportion of claims paid to men increased although it remained less than half.

Denver's labor supply thus far has been in balance but in December was reclassified as "loose."

In the Kansas City area applications for unemployment compensation increased after slackening during November. Continued claims rose steadily. Weekly placements by the United States Employment Service increased but have not equaled the number made early in September and are small compared with the number of workers that have been released and with the unfilled job openings.

In the St. Joseph area employment conditions were relatively stringent until December, but the situation has eased and supply and demand of labor are in balance. Sharp increases in placements, predominantly male, and in initial unemployment claims occurred during the last week of November but were followed by declines to approximately the former level. The number of compensable claims continued upward. Unfilled openings remained at about the same level.

In Wichita the employment situation varied little until the last week of November during which period placements decreased, particularly the male segment, but they rose again in December. An uptrend was noticeable in initial claims, and a sharp rise occurred in continued claims in December. The steady decline in unfilled openings continued.

Lincoln and Omaha remained in the balanced labor classification; Oklahoma City's supply was "loose"; and Tulsa showed a surplus of workers. Recent detailed data for these areas are not available.

Reports for large war production areas alone probably are less representative of general conditions than previously, since recent reports indicate that unemployment is now distributed more evenly throughout the states as persons return from war production centers to their homes and servicemen are demobilized.

AGRICULTURE

Farm Land Values Farm real estate values, according to estimates of the Department of Agriculture, increased about 1 per cent in Wyoming between July 1 and November 1, 7 per cent in Colorado, 4 per cent in New Mexico, 3 per cent in Oklahoma, and 1 per cent in Missouri. Farm land values were unchanged in Nebraska and Kansas during the four-month period. The rate of gain for Wyoming was appreciably lower but for Colorado considerably higher than that for the preceding four months from March 1 to July 1. Land values in New Mexico and Oklahoma continued to increase from July to November at about the same rate as from March to July, while the small rise reported for Missouri followed a period of no change earlier this year.

For the country as a whole, farm real estate values increased 2 per cent between July 1 and November 1 and indicated that the end of the war as yet has had little effect on the land market, although value increases in recent months have been rather small throughout much of the mid-west. Land values in New Mexico have risen to their 1920 peak, but in other District states and in the country as a whole they are still much below the high level reached following World War I.

Value-stimulating influences contributing to the further rise in farm land values, and which may tend to push values still higher before the peak of the present upswing is reached, include continued high prices for farm commodities, the record level of farm income in 1945, the huge volume of liquid savings available for land purchase, and abundant credit at low interest rates. The current volume of farm real estate transfers is below that during the fall and winter of 1943 but is running above that for 1944, and there is a strong demand from purchasers who are anxious to buy a farm home or otherwise invest in land.

Department of Agriculture indexes of estimated farm real estate values per acre for November 1, July 1, and March 1 of 1945 and for March 1 of selected prior years:

	Colo.	Kans.	Mo.	Nebr.	N.Mex.	Okla.	Wyo.	U.S.
	(1912-14 average=100)							
1945								
Nov. 1*.....	120	114	92	88	144	137	119	133
July 1*.....	112	114	91	88	138	133	118	130
Mar. 1.....	108	111	91	86	132	131	115	126
1944.....	93	96	82	77	117	120	102	114
1943.....	78	84	74	64	101	111	88	99
1942.....	69	74	66	59	95	101	78	91
1941.....	63	71	60	55	87	96	71	85
1940.....	61	71	59	58	84	93	68	84
1939.....	61	76	58	65	83	93	66	84
1938.....	60	78	60	69	83	94	66	85
1937.....	60	78	60	72	82	91	66	85
1936.....	57	75	60	73	80	91	65	82
1935.....	53	73	58	72	76	86	62	79
1934.....	54	72	57	72	76	83	62	76
1933.....	54	70	55	69	75	76	62	73
1932.....	65	89	67	90	89	94	77	89
1931.....	81	103	79	106	109	116	95	106
1930.....	83	113	92	113	110	127	98	115
1920.....	141	151	167	179	144	166	176	170

*Preliminary.

Crops The pronounced dryness of October and November continued through early December but was relieved to some extent by snows and rains in the latter part of December. November precipitation in Wyoming was 118 per cent of normal, but in Colorado it was only 58, in Nebraska 24, in Kansas 12, in Missouri 51, in Oklahoma 20, and in New Mexico 2 per cent of normal. The December fall of snow generally measured three inches or more over the northern two thirds of the District and provided urgently needed moisture for winter wheat, espe-

cially for packing down the loose, dry topsoil which made wheat unusually susceptible to winter killing. The snow also reduced the threat of damage from wind erosion and gave wheat plants protection against the very low temperatures that accompanied the snow. A trace of snow extended as far south as central Oklahoma and northern New Mexico and these two states also had light general rains in December, but the precipitation received was inadequate to relieve the seriously short supply of moisture in the topsoil.

Early planted wheat, mostly on summer fallowed ground, in the southwestern and Panhandle areas of Nebraska, in extreme western Kansas, in eastern Colorado, and in parts of Oklahoma made rapid growth but was pastured heavily and by early December showed the effect of close grazing and a lack of rainfall. In most sections of the District, wheat seeding was delayed until after late September and early October rains, and prolonged dry weather since seeding time retarded germination and growth so

	RAINFALL		11 Mos. 1945	
	Total	Normal	Total	Normal
	(In inches)			
COLORADO				
Denver.....	0.51	0.55	13.48	13.32
Leadville.....	1.60	0.91	20.29	17.46
Pueblo.....	0.09	0.36	15.21	11.14
Lamar.....	0.09	0.44	14.70	14.67
Alamosa.....	0.01	0.19	3.84	6.72
Steamboat Springs...	2.87	1.60	24.93	20.80
KANSAS				
Topeka.....	0.16	1.76	37.04	31.55
Iola.....	0.07	2.47	43.53	36.11
Concordia.....	0.23	1.09	27.67	24.58
Salina.....	0.03	1.42	30.10	26.25
Wichita.....	0.05	1.77	36.09	29.35
Hays.....	0.02	0.95	19.22	22.41
Goodland.....	0.13	0.62	14.27	17.35
Dodge City.....	0.01	0.93	21.34	19.56
Elkhart.....	Trace	0.70	17.62	16.41
MISSOURI				
St. Joseph.....	0.42	1.58	37.86	34.27
Kansas City.....	0.60	2.22	33.84	33.27
Joplin.....	0.20	2.77	52.88	41.83
NEBRASKA				
Omaha.....	0.15	1.07	28.74	26.84
Lincoln.....	0.12	1.07	30.59	27.22
Norfolk.....	0.49	0.96	27.52	25.85
Grand Island.....	0.06	0.93	25.92	24.94
McCook.....	0.17	0.63	19.80	19.02
North Platte.....	0.10	0.47	19.88	17.86
Bridgeport.....	0.04	0.44	19.16	15.22
Valentine.....	0.02	0.56	15.53	17.73
NEW MEXICO				
Clayton.....	0.00	0.39	14.27	14.97
Santa Fe.....	Trace	0.70	10.74	13.65
Farmington.....	Trace	0.48	6.44	8.03
OKLAHOMA				
Tulsa.....	0.10	2.48	36.90	35.26
McAlester.....	2.02	2.84	67.61	39.93
Oklahoma City.....	0.27	1.87	43.83	29.65
Pauls Valley.....	0.68	2.32	57.70	33.38
Hobart.....	0.00	1.66	26.38	26.30
Enid.....	0.00	1.60	28.92	28.48
Woodward.....	Trace	1.67	21.80	24.36
WYOMING				
Cheyenne.....	0.46	0.52	16.22	13.44
Casper.....	0.29	0.79	10.13	13.82
Lander.....	1.98	0.60	15.65	11.95
Sheridan.....	0.97	0.63	17.90	14.42

that late planted wheat entered the dormant period generally small and poorly developed. The reported condition of winter wheat on December 1 was considerably below that of a year ago, and winter wheat production in this District in 1946 is estimated to be appreciably short of that in 1945 despite some increase in acreage.

The winter wheat acreage planted in the fall of 1945 for harvest in 1946 in the seven states, all or parts of which are included in the Tenth District, was about 4 per cent larger than the acreage seeded in the fall of 1944 for harvest in 1945, according to estimates of the Department of Agriculture. This increase was due to a marked expansion in wheat acreage in all District states except Kansas and Missouri, where the acreage was unchanged from that a year earlier. The Oklahoma wheat acreage is the largest of record, reflecting a further shift to wheat from cotton, which is high in labor requirements. The estimate of close to 29 million acres in wheat in this seven-state area, although large, is still much below the high level of well over 32 million acres seeded in both 1936 and 1937. In those years Kansas, the nation's leading wheat producing state, had about 17 million acres in wheat as compared with little more than 14 million acres now.

Department of Agriculture winter wheat estimates:

	FALL SEEDED ACREAGE			PRODUCTION		
	1945	1944	Aver. '33-'42	Est. 1946	Final 1945	Aver. '34-'43
	(Thousand acres)			(Thousand bushels)		
Colo.....	1,780	1,548	1,172	35,600	31,967	13,126
Kans.....	14,145	14,145	13,506	176,812	207,917	133,700
Mo.....	1,713	1,713	2,031	22,269	22,518	26,420
Nebr.....	4,134	3,828	3,552	53,742	84,226	42,787
N. Mex....	455	350	347	3,640	2,034	2,127
Okla.....	6,466	5,987	4,827	71,126	70,917	48,435
Wyo.....	198	182	138	3,564	3,060	1,508
7 States...	28,891	27,753	25,573	366,753	422,639	268,103
U. S.....	51,940	50,123	46,757	750,739	823,177	585,994

Cash wheat prices in December were wedged tightly against the ceiling. Wheat receipts increased as the box car shortage eased, but marketings continued far short of trade requirements, including an unprecedented demand from domestic mills and a record demand for wheat for export. The acute shortage of wheat in commercial channels, largely artificial in view of the huge amount of wheat backed up in the country, was ascribed by trade reports not only to a lack of sufficient box cars to move all of the grain needed but also to holding by producers, partly because of lower 1946 income tax rates, partly in the hope of an increase in the ceiling price, and partly because of the less favorable outlook for wheat production in 1946. The loan rate on 1945 crop corn, announced in December, averages \$1.01 a bushel on a national basis, or 3 cents higher than the loan rate on

the 1944 crop. The increase in the loan rate does not affect present corn price ceilings.

The preliminary 1946 crop goals, outlined in December, call for a continued high level of farm output, as the end of the war has not brought an end to the almost unlimited demand for American food. The total acreage required in 1946 is estimated at 356 million acres as compared with 350½ million actually planted in 1945. The 1946 acreage goal for wheat is about the same as the 1945 planted acreage. An increased acreage is recommended for feed grains (corn, oats, barley, and grain sorghums) and hay to build up feed supplies for livestock to prewar levels. An increased acreage also is recommended for rye, dry beans, flaxseed, cotton, and sugar beets. The increase for rye and cotton, however, is from an unusually small acreage of these crops in 1945, and the acreages represented by the 1946 goals would still be far below normal. The sugar beet goal for 1946 is 31 per cent above the small 1945 acreage, reflecting the continuing shortage of sugar. A decreased acreage is recommended for rice, soybeans, and peanuts in a shift back toward peacetime levels of production. A decrease also is recommended for potatoes, of which there is currently a surplus.

Livestock The number of pigs saved in the United States in the fall season (June 1 to December 1) of 1945 is estimated by the Department of Agriculture at 35,144,000 head, an increase of 12 per cent over the number of pigs saved in the fall season of 1944. In this District, Nebraska had an increase of 44 per cent, Kansas 30 per cent, Oklahoma 23 per cent, and Missouri 8 per cent. For the country as a whole, the increase in the 1945 fall pig crop offset the decrease in the spring crop, so that the total crop of 86,714,000 head for 1945 was little different from that of 86,668,000 head in 1944. Production, however, was down 29 per cent from the record 125 million head produced in 1943. The total pig crop of 1945 also was short of the Government's production goal of 92 million head.

The indicated number of sows to farrow in the United States in the spring season of 1946 is about 4 per cent larger than the number farrowed in the spring of 1945 and should produce a pig crop about in line with the announced 1946 goals for hog production, which call for about the same size spring pig crop in 1946 as in 1945. If present breeding intentions are carried out and the number of pigs saved per litter is about average, the 1946 spring pig crop will approximate 52,400,000 head as compared with the 1945 spring crop of 51,570,000. This prospective increase for the spring of 1946 measures less than 2 per cent

as compared with the 12 per cent gain over a year earlier reported for the fall of 1945. As a consequence, the sharp upswing in hog production that started in the fall of 1945 seems likely not to be maintained through the early part of 1946. The chief reasons for this, according to trade reports, are the anticipated removal of a large part of the hog subsidy to processors not later than next March 31 and the sharp reduction in support prices scheduled for a year from now, when the 1946 spring pig crop will be moving to market.

Further heavy shipments of stocker and feeder cattle into Nebraska during November, to help salvage frost damaged corn, supported previous indications that more cattle would be fed for market in that state during the 1945-46 winter feeding season than in the 1944-45 season. Shipments of cattle into Missouri from July through November also were larger in 1945 than in 1944, and the movement of cattle into feeding areas of Colorado, the leading western feeding state of the District, was considerably larger than that of a year earlier. Cattle feeding operations are down, however, in Kansas, Oklahoma, and New Mexico, owing chiefly to a sharp reduction in production of grain sorghums and bundle feed and the poor growth of winter wheat pastures. The decrease is especially pronounced in the western half of Kansas, where cattle feeding was relatively large a year ago. Smaller output of cotton seed in Oklahoma and New Mexico was an additional factor contributing to the decline in cattle feeding in those two states.

Reports indicate that the gains from feeding frost damaged corn to cattle have been rather disappointing, a development which is expected to encourage early marketings of feed lot cattle from the Corn Belt. Current high feeding costs arising from high prices of feeder cattle and a high level of feed prices, together with a shortage of protein concentrates and greater than usual uncertainty as to future fat cattle prices, also are expected to encourage large marketings of fed cattle during the winter and early spring.

Shipments of feeder lambs into the Corn Belt dropped off sharply in November, and it seemed probable early in December that the volume of lamb feeding in the 1945-46 season would be little changed from a year earlier in Nebraska and would be down in Missouri and Kansas. In Nebraska, lamb feeding apparently will be at least as large as a year ago in the Scottsbluff area, substantially smaller in the central Platte Valley, and slightly larger in the remainder of the state. In Colorado, a prospective sharp decrease in the northern part of the state is only partially offset by increases elsewhere, mostly in the Arkansas Valley, and the total number of lambs fed will be 10

to 15 per cent below a year ago and the smallest since the 1926-27 season.

In Kansas, there was a heavy movement of lambs to wheat pastures in the two western tiers of counties, but east of these counties little wheat made sufficient growth to provide pasturage. Total shipments of lambs into the state through November were about 25 per cent less in 1945 than the large shipments in 1944, a reduction equivalent to around a quarter of a million head. Moreover, because of continued lack of rainfall, wheat pastures that had been furnishing grazing were becoming so short by early December that it was necessary to begin moving lambs off wheat and sending them either directly to market or to commercial feed lots for finishing, a movement which was greatly accelerated by snows and cold weather in many areas about the middle of December. The early movement of fed lambs to slaughter was contrary to previous expectations.

Ranges and pastures generally carry a good supply of feed. Mild, open weather permitted full use of ranges and pastures up to the middle of December, but subsequent widespread snows curtailed grazing and necessitated extensive supplemental feeding of livestock. Low temperatures in December were hard on livestock, but range cattle and sheep are in good to very good condition, except in New Mexico. In that state, range feed has been rather poor because of dry weather the past season and the supply of local grains and other feeds is the smallest in ten years. Elsewhere in the District, feed supplies generally are adequate.

In the first week of December, the top price of beef steers was at the ceiling but in succeeding weeks of the month it was somewhat below the ceiling. Hog prices had broken away from ceiling levels late in November, owing chiefly to a seasonal increase in marketings and congestion at some markets because of a shortage of labor at packing plants, but prices strengthened in December and quickly regained the ceiling. Lamb prices declined during December, principally in response to a sharp increase in receipts. After December 1, when the feeder subsidy on lambs sold for slaughter advanced 50 cents a hundredweight, there was a heavy movement of fed lambs to market, together with a large volume of early forced marketings of lambs from deteriorating wheat pastures.

Top livestock prices at the Kansas City market:

	Dec. 27 1945	Nov. 1945	Oct. 1945	Nov. 1944	Nov. 1943	Nov. 1942
	(In dollars per hundredweight)					
Beef steers.....	17.50	17.65	17.65	16.50	16.00	16.60
Stocker cattle.....	14.75	14.75	14.75	13.75	13.25	14.50
Feeder cattle.....	14.75	15.25	15.25	14.15	12.90	14.75
Calves.....	14.50	14.50	13.50	14.00	14.00	14.50
Hogs.....	14.55	14.55	14.55	14.50	14.15	14.20
Lambs.....	14.40	14.85	14.60	14.70	15.00	15.10
Slaughter ewes....	6.50	7.00	6.15	6.60	6.35	6.60

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Output at factories and mines increased considerably in November and activity continued to expand in most other lines. Value of retail sales reached new record rates in November and the early part of December reflecting in part further increases in prices.

INDUSTRIAL PRODUCTION

Output in most industries showed important gains in November and the Board's index of industrial production advanced about 5 per cent. The index, at a level of 171 per cent of the 1935-39 average, was about the same as in September and in the autumn of 1941. Output for civilian use in November, especially of fuels, industrial materials, and producers' equipment, was larger than in those earlier periods. Production for civilians of many finished consumer products, however, like automobiles, radios, clothing, and shoes, while much higher in November than in September, was still greatly reduced from 1941 levels.

Steel production showed a large rise during November and in the first three weeks of December output was scheduled at an average rate of 83 per cent of capacity, which was higher than the November average. Activity at shipyards continued to decline considerably in November but increases occurred in most other metal fabricating industries. Further increases in output were indicated in plants producing electrical products and machinery and in the railroad equipment and automobile parts and assembly industries. Automobile production, however, was curtailed sharply in the last week of November and the first half of December by a strike in the plants of a major producer.

Lumber and glass production were at low levels in November owing partly also to industrial disputes. In the case of lumber, however, output in recent months before the West Coast strikes was below 1939 levels and one third less than the rate in 1941.

Production of most nondurable manufacturers and of fuels increased from October to November reflecting increased supplies of materials and labor and the end of work stoppages in the petroleum and coal industries as well as strong demand generally for these and most other goods for civilian use.

Incomes received by agriculture, business, and consumers appear to have continued to rise in November as a result of the widespread increases in production and employment and further rises in prices and wage rates. Payments to unemployed industrial workers and veterans also increased somewhat in November.

Employment in nonagricultural establishments rose by over 300,000 workers in November, after allowing for seasonal changes, reflecting increases in all major lines except Federal war agencies. A further decline of about 100,000 workers in munitions industries was more than offset by gains in employment in other manufacturing industries, mostly in reconverted metal-products plants. Employment in the trades and services, construction, and various other lines showed relatively larger increases than in manufacturing.

DISTRIBUTION

Department store sales increased sharply in November and the Board's seasonally adjusted index rose to a record level of 228 per cent of the 1935-39 average as compared with 213 in October. November sales were 11 per cent larger than last year and in the first half of December sales continued to show about the same increase. Sales at some other types of retail stores, especially those selling automotive supplies, men's apparel, furniture, building materials, and hardware, have recently shown much larger increases than department stores, while sales of foods and various other products have shown somewhat smaller increases.

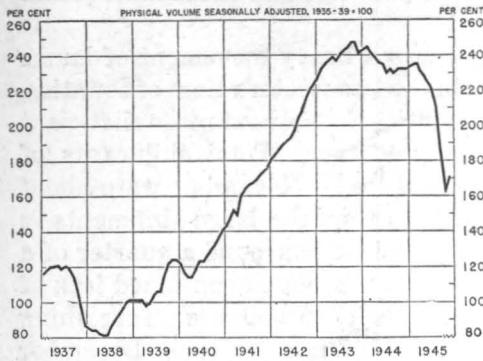
BANK CREDIT

Loans and investments at banks in 101 leading cities increased by over 7 billion dollars during the six weeks ended December 12; this period covered the major part of the Victory Loan Drive. Government security holdings increased by 3.7 billion dollars—a somewhat smaller rise than had occurred in the three prior drives. Loans for purchasing or carrying Government securities rose by 2.5 billion dollars, and at their mid-December levels loans both to brokers and dealers and to other bank customers slightly exceeded the high points of the previous drives. Commercial and industrial loans, which had been expanding since early fall, rose by an additional 800 million dollars during the six-week period. The increase in commercial credit extension has been at a rate substantially greater than at any time in recent years.

As payments for security purchases transferred funds from deposits of businesses and individuals to reserve-exempt war loan accounts, the average level of required reserves at all member banks declined by around 500 million dollars during the first half of December. Early in the month, excess reserves rose to above 1.5 billion dollars on a weekly average basis. Subsequently, however, excess reserves declined somewhat, as the amount of war loan deposits at many banks reached the maximum limits and banks turned over to the Treasury current receipts from sales of Government securities.

Currency outflow has continued at a slackened rate compared with war-time years; money in circulation increased by close to 350 million dollars during the six weeks ended December 12 compared with over 750 million in the 1944 period. On a seasonally adjusted basis, currency outflow has recently been at the lowest rate since the early part of 1941.

INDUSTRIAL PRODUCTION



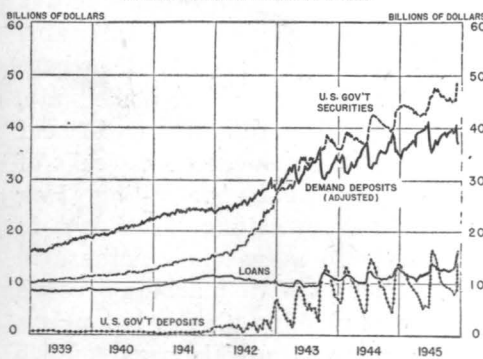
Federal Reserve index. Monthly figures; latest shown is for November, 1945.

DEPARTMENT STORE SALES AND STOCKS



Federal Reserve indexes. Monthly figures; latest shown for sales is November and for stocks October, 1945.

MEMBER BANKS IN LEADING CITIES



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures; latest shown are for December 12, 1945.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures; latest shown are for December 12, 1945.